



# THE INTERIM

July 2011

A monthly newsletter of the Montana Legislative Branch

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The Interim is published by:

Legislative Services Division  
Room 110, State Capitol  
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Helena, MT 59620-1706  
(406) 444-3064

The Interim, along with up-to-date information about interim committees, is also available on the Legislative Branch website at [leg.mt.gov](http://leg.mt.gov).

## Economic Affairs Committee Revises Study Plans, Elects Officer

At its June 3 meeting, the Economic Affairs Interim Committee elected presiding officers, discussed the scope of the House Joint Resolution 33 study of a health insurance exchange, and decided to spend a major portion of its meetings on the House Bill 525 review of professional and occupational licensing boards. Rep. Tom Berry was elected as presiding officer and Sen. Tom Facey was elected as vice presiding officer.

### HJR 33 Study Focus Narrowed

Presentations on the HJR 33 study underscored the complexities of meeting a Jan. 1, 2014, implementation of a health insurance exchange in Montana. Members noted that, without a special session, legislation is unlikely to be timely enough to implement a state-based exchange. Members asked what role a study has if the federal government is likely to begin framing for Montana a federal exchange where residents can choose from among health insurance policies and check to see if they are eligible for subsidies or Medicaid.

The committee asked whether the federal government would provide a cookie-cutter approach for all states that do not have a state-based exchange or would it design an exchange more specific to Montana. The committee requested that a representative from the U.S. Department of Health and Human Services be invited to the Aug. 23-24 meeting to help answer those questions and others related to the flexibility of federal time frames for meeting the 2014 implementation date. The committee will also be provided with legal opinions regarding whether an executive order is feasible in Montana.

The committee decided to focus its efforts on the HJR 33 study to a review of the technical aspects of an exchange, including the scope of service, components of health insurance plans offered on an exchange, the interaction of Medicaid with an exchange, insurance competition within the state and possible sales across state lines, and the role of insurance agents. Of less interest were the interaction between the state health plan and an exchange and the ability of an exchange to aggregate premiums for employees with multiple employers. Some members noted that they would be interested in determining whether an exchange could be developed

that is not tied to requirements under the federal health care reform laws.

### **HB 525 Study of Licensing Boards Expanded**

After an overview from Department of Labor and Industry staff about how licensing boards operate, the committee decided to review two boards on every meeting day until half of the licensing boards had been before the committee. The other half will be reviewed during the 2013-14 interim. The reviews will include an examination of whether boards unfairly discriminate among licensees, applicants, or those called before the board for unlicensed practice. Senate Bill 165 prohibits boards from enforcing standards or rules in a manner that discriminates against a licensee or in a manner that restrains trade or competition unless necessary to protect public health and safety.

The committee will review the Pharmacy and Dentistry boards on Aug. 23 and the Chiropractors and Veterinary Medicine boards on Aug. 24. The committee will conduct a survey regarding licensing and board practices to get the perspective of licensees and to allow those who are not licensed to provide information about boards. The survey will be available on the committee's website from July through mid-August.

### **Other Business**

The following individuals and groups also made presentations to the committee:

- Laurence Hubbard, president and chief executive officer of Montana State Fund, discussed the State Fund Board's decision to reduce its rates in the coming year for workers' compensation policyholders by an average of 20%. After the meeting, Hubbard sent an email noting that the minimum premium decreased 3.8% to \$385.
- Linda Snedigar, Department of Public Health and Human Services, summarized Medicaid eligibility guidelines that are to be used in coordination with a health insurance exchange.
- Representatives of health insurers and advocacy groups expressed support for the health insurance exchange study.
- Harold Blattie, executive director, Montana Association of Counties, and Mary Sexton, director, Department of Natural Resources and Conservation, asked the committee to help find a way to provide workers' compensation coverage to volunteer firefighters to meet a state contractual requirement for coverage before the state lends certain firefighting equipment.
- Sheila Stearns, commissioner of higher education, provided the committee with data on workforce employment

in Montana of those holding various levels of college degrees.

### **Next Meeting in August**

The committee will meet Aug. 23 at 9 a.m. in Room 137 of the Capitol at 9 a.m. and Aug. 24 at 8:30 a.m. An agenda and meeting material will be posted to the committee website, [leg.mt.gov/eaic](http://leg.mt.gov/eaic), as they become available. For more information, contact Pat Murdo, committee staff, at [pmurdo@mt.gov](mailto:pmurdo@mt.gov) or 406-444-3594.

## **Education & Local Government Committee Adopts Work Plan**

Rep. Elsie Arntzen will lead the Education and Local Government Interim Committee, committee members decided at their meeting on June 13. Members also chose Sen. Gary Branae to be vice chair and adopted a work plan and meeting schedule to guide their activities over the next 14 months.

The work plan includes ELG's statutory duties, interim study assignments, additional projects related to education and local government, and administrative rule review activities. Future agenda items will include:

- review of the Shared Policy Goals and Accountability Measures documents developed by the 2009-2010 ELG, along with K-12 and higher education representatives;
- training for members and staff on school finance, including the litigation history, evolution of policy and funding models, and the mechanics of school funding;
- a panel discussion on 2-year higher education;
- discussion regarding common core standards;
- review of performance-based K-12 funding models being contemplated or in use in other states as well as work underway in Montana on performance indicators as part of K-12 accreditation;
- review of subdivision exemption statutes dealing with rent or lease, local government interpretation of the statutes, and the litigation history of the statutes;
- a report from the State Historic Preservation Office on the status and stewardship of state heritage properties;
- review of advisory councils and reports required by statute that are attached to agencies that ELG monitors;
- follow-up on flood damage and local impacts; and
- other matters within ELG's subject area jurisdiction.

ELG's next meeting is scheduled for Sept. 15-16. For more information about the committee, contact Leanne Kurtz,

ELG staff, at 406-444-3593 or [lekurtz@mt.gov](mailto:lekurtz@mt.gov), or visit ELG's website at [leg.mt.gov/elgic](http://leg.mt.gov/elgic).

## Energy Committee to Review Energy Policy, Other Topics

The Energy and Telecommunications Interim Committee meets Friday, July 15 at 9 a.m. in Room 172 of the Capitol.

Because the Legislative Council did not assign any study to the ETIC, committee members have the opportunity to determine what policy matters they wish to study during the interim. In June, staff asked members to suggest ideas to be included in the draft work plan for discussion at the meeting. So far, members have proposed the following ideas for consideration:

- study the one-call laws related to notification for excavation projects;
- review hydraulic fracturing rules;
- examine the organizational structure of the Public Service Commission.

One of the committee's statutory duties includes reviewing energy policy. Senate Bill 305, enacted last session, establishes 24 energy policy goals. The committee is required, at its first meeting of the interim, to review and discuss the energy policy. Other statutory duties include monitoring Public Service Commission activities and rulemaking, reviewing hydroelectric potential at state-owned dams, reviewing geothermal research in the state, receiving an update on renewable energy credit usage in Montana, and analyzing Universal System Benefits program reports.

At the July meeting, committee members will adopt a draft work plan and elect a presiding officer and vice presiding officer. PSC Chairman Travis Kavulla will provide an overview of the agency and an update on rulemaking activities. The Consumer Counsel, the Department of Environmental Quality Energy and Pollution Prevention Bureau, and the Department of Commerce Energy Promotion and Development Division have been invited to provide an overview of their work in the energy arena.

Committee members are Rep. Tony Belcourt, D-Box Elder; Rep. Robyn Driscoll, D-Billings; Sen. Verdell Jackson, R-Kalispell; Sen. Jim Keane, D-Butte; Rep. Harry Klock, R-Harlowton; Rep. Austin Knudsen, R-Culbertson; Sen. Cliff Larsen, D-Missoula; and Sen. Alan Olson, R-Roundup.

A meeting agenda and additional information on the ETIC is available at [leg.mt.gov/etic](http://leg.mt.gov/etic). For more information, contact Sonja Nowakowski, committee staff, at [snowakowski@mt.gov](mailto:snowakowski@mt.gov) or 406-444-3078.

## EQC to Study State Parks, Recreation, Heritage Programs

The future of state parks and outdoor recreation and heritage programs in Montana will top the Environmental Quality Council's agenda this interim. House Joint Resolution 32 directs the EQC to review the structure and management of these programs, compare them to other Rocky Mountain states, and make recommendations to improve their efficiency and increase their public profile. In addition to Montana's 54 state parks, the study will review boating, off-highway vehicle, and snowmobiling programs administered by the Department of Fish, Wildlife, and Parks and various heritage programs affiliated with the Department of Commerce, including the operation of Virginia and Nevada cities.

At its May 24 organizational meeting, the EQC elected Sen. Jim Keane as its chair and Rep. Duane Ankney as its vice chair. Other legislative members are Sens. Bradley Hamlett, John Brenden, Rick Ripley, Chas Vincent, and Gene Vuckovich and Reps. Jerry Bennett, Bill McChesney, Michele Reinhart, Cary Smith, and Kathleen Williams. Public members are John Youngberg, Mary Fitzpatrick, Diane Conradi, and Derek Busby.

While establishing its work plan, the EQC decided to spend time this interim monitoring developments in the eminent domain arena, including pending cases before a district court, and monitoring progress by the Department of Environmental Quality to resolve more petroleum tank release sites as required by the newly-enacted House Bill 613.

Senate Joint Resolution 26 assigned additional agency oversight tasks to the EQC. These include interim monitoring of DFWP's migratory and upland game bird programs and its study of brucellosis in elk and DEQ's progress in cleaning up petroleum tank release sites and the KRY Superfund site in Flathead County.

Combined with the its other statutory and oversight duties, the 2011-12 interim is shaping up to be a busy one for the council. The EQC's next meeting is scheduled for Sept. 14 and 15. Meeting material will be posted on the EQC's website at least 10 days in advance. Material from past meetings and interims is also available at [leg.mt.gov/eqc](http://leg.mt.gov/eqc).

For more information contact Hope Stockwell at 406-444-1640 or [hstockwell@mt.gov](mailto:hstockwell@mt.gov).

## Legislative Council Elects Officers, Reviews Budgets

The Legislative Council met May 13 and elected Sen. Carol Williams as presiding officer and Rep. Mike Milburn vice presiding officer. The council assigned studies to the interim

committees. The study assignments were covered in the June issue of The Interim and can be found on the council's website.

The council also met June 24. It was scheduled to review the 2011 session and 2013 biennium budgets, approve the Legislative Services Division operating budgets, and appoint legislators to the National Conference of State Legislatures, Council of State Governments, and the Legislative Council on River Governance. The council also planned to discuss its interim work plan and set the date for a strategic planning session. Coverage of the meeting will be included in next month's newsletter.

For more information or to access agendas, minutes, and meeting material, visit the council's website at [leg.mt.gov/legcouncil](http://leg.mt.gov/legcouncil), or contact Susan Byorth Fox at 406-444-3066 or [sfox@mt.gov](mailto:sfox@mt.gov).

## Everts Hired as Legal Services Director

Todd Everts, who has been acting legal services director and chief legal counsel in the Legislative Services Division since March, has been hired to fill the position. Everts has been with the Montana Legislative Branch since 1991. He was hired as a resource analyst and staff attorney and became the legislative environmental analyst and director of the Legislative Environmental Policy Office in 1995. Everts can be reached at 406-444-4023 or [teverts@mt.gov](mailto:teverts@mt.gov).

Joe Kolman is acting legislative environmental analyst and director of LEPO until the position is filled. The Environmental Quality Council will hire the new analyst with concurrence of the Legislative Council.

## Revised Interim Appointments

There have been several changes in interim appointments as follows:

- Senator Kendall Van Dyk has been appointed to the State Administration and Veteran's Affairs Interim Committee.
- Rep. Bill McChesney has replaced Rep. Mike Phillips on the Environmental Quality Council.
- Sen. Terry Murphy has replaced Sen. Art Wittich on the Law and Justice Interim Committee.
- Sen. Joe Balyeat and Rep. Franke Wilmer have been appointed as legislative liaisons to the Montana Board of Investments.

The appointment of a House Republican to the Capitol Complex Advisory Council is pending.

The appointments to the House Bill 642 Select Committee on Government Efficiency are:

Rep. Mark Blasdel	Sen. Ed Buttrey
Rep. Ron Ehli	Sen. Mary Caferro
Rep. Galen Hollenbaugh	Sen. Jon Sonju, Presiding Officer
Rep. Scott Reichner	Sen. Bruce Tutvedt
Rep. Pat Noonan	Sen. Dave Wanzenried
Rep. Kathleen Williams	Sen. Jim Keane

A revised table of interim appointments is available at [leg.mt.gov/legcouncil](http://leg.mt.gov/legcouncil) under "Other Committee Activities" (2011-2012 Interim Appointments).

## Legislative Session at a Glance

The following table highlights figures related to bill processing and amendments, session committees, messages delivered to legislators, and other matters during the last several legislative sessions.

Activity	2003	2005	2007	2009	2011
Number of bill draft requests	2,207	2,378	2,581	2,369	2,246
Number of bills introduced	1,360	1,411	1,525	1,314	1,179
Number of bills amended - at least once	644	652	626	495	487
Number of times bills were processed to incorporate amendments	1,193	1,191	1,116	933	901
Number of bills enrolled - prepared in the form that they finally passed the Legislature	760	704	611	601	585
Standing and select committees staffed	33	31	30	32	32



Number of governor's vetoes	1	8	20	13	78
Conference and free conference committees staffed	62	42	48	41	41
House and Senate (and legislator/aide/ staff) computers and printers supported	169	173	140	168	149 (and 176)
Sets of non-budget amendments initially review by editors (estimate)	(3,135)	(3,300)	(3,400)	(2,500)	1,200
Estimated sets of budget amendments reviewed by editors	NA	NA	500	400	400
Telephone messages received by Legislative Information Office  In 2011, 24 legislators received their messages electronically	21,849 one at a time	15,062	12,284 many sent to 12 members	21,221 resulting in 125,000 printed messages	22,291 resulting in 255,000 printed messages
Web messages received by Legislative Information Office	58,170	72,595	45,238	73,895	68,769 (135,000 printed messages)
Pay and per diem checks issued to legislators and House and Senate staff	4,418	4,522	4,411	4,452	4,795
Hours of House and Senate floor sessions and committee hearings broadcast	1,200	2,000	2,100	2,300	1,561 hrs video 2,449 hrs audio
TVMT channels broadcasting legislative committee meetings and floor sessions	1 full time 7 part time	1 full time 3 part time	26 full time	46 full time	53 cable channels 5 digital over the air channels
Pages (impressions) of bills printed	8,184,347	7,713,000	6,588,269	4,925,584	4,403,624
Years of compensatory time accumulated by LSD staff since October 2010 (2,080 hrs/yr)	4.18	3.16	3.58	3.45	3.31

## Legislative Finance Committee Sets Priorities

The Legislative Finance Committee met June 10 and elected Rep. Jon Sesso, D-Butte, as chair, Sen. Rick Ripley, R-Wolf Creek, as vice chair, and Rep. Rob Cook, R-Conrad, as secretary. The committee set priorities for its 2011-12 interim work plan. Items of discussion included:

- educating legislators and communicating key concepts about the revenue estimating process;
- financial aspects of unfunded pension liability;
- committee and staff education regarding prior legal decisions related to school funding and the requirements of the school funding formula;
- interim monitoring of activities of state agencies under Senate Joint Resolution 26;
- review of statutory appropriations and state special revenue accounts;

- medicaid forecasting, monitoring, and provider rates and fees; and
- updates on the work of the House Bill 642 Select Committee on Efficiency in Government.

The committee will finalize its interim work plan at the September meeting. For more information, contact Amy Carlson, legislative fiscal analyst, at [acarlson@mt.gov](mailto:acarlson@mt.gov) or any Legislative Fiscal Division staff at 406-444-2986 or visit the LFD website at [leg.mt.gov/fiscal](http://leg.mt.gov/fiscal).

### 2011 Session Fiscal Report Available

The Legislative Fiscal Division has completed the 2011 Fiscal Report. The report provides details of the financial results of the 2011 session including revenue estimates, the general fund balance, and agency budgets. The four volume report is available on line at <http://leg.mt.gov/css/fiscal/reports/2011-session.asp#2013fiscalreport>. Legislators will receive a hard copy of Volume 1: Statewide Perspectives. A legislator may obtain a hard copy of other volumes by

contacting Jon Moe at [jonmoe@mt.gov](mailto:jonmoe@mt.gov) or Barb Smith at [basmith@mt.gov](mailto:basmith@mt.gov) or by calling 406-444-2986.

## Revenue and Transportation Committee Takes on Three Studies

The Revenue and Transportation Interim Committee met June 15-16 to review the committee work plan and study plans and to elect presiding officers. Three studies were assigned to the committee, including a study of state's individual income tax and options for revision (House Joint Resolution 13), a study of the valuation of centrally assessed property and industrial property (Senate Joint Resolution 17), and a study of the exemption of nonprofit organizations from property and income taxation (SJR 23).

The committee decided to spend a significant amount of time on each of the studies this interim.

The committee unanimously elected Rep. Roy Hollandsworth as chair and Sen. Christine Kaufmann as vice chair.

### Revenue Outlook Improves

Terry Johnson, principal fiscal analyst, Legislative Fiscal Division, told the committee that fiscal year 2011 revenue collections may exceed the adjusted House Joint Resolution 2 revenue estimates for the year by \$67.7 million to \$77.7 million. Growth in wages and salaries, higher current year individual income tax return payments, and rising corporate profits account for the improved outlook, Johnson said.

### Spring Flooding, Highway Safety

Jim Lynch, director, Montana Department of Transportation, briefed the committee on damage to roadways because of spring flooding. He said that the department, contractors, and landowners have been working together to deal with the damage. However, the magnitude of the flooding may result in long-term road closures and the assessment of infrastructure damage will take time.

Lynch also reported on improvements that have been made in highway safety. For example, a goal under the Comprehensive Highway Safety Plan is to reduce in half by 2030 the number of fatalities and serious injuries from driving accidents that occurred in 2007. In 2010, the number of these accidents were at the level projected for 2021. Except for motorcycles and urban areas, the number of crashes by category (e.g., single vehicle, alcohol or drug related, age of driver) are lower for the period 2006-2010 than they were for 2001-2005.

### Property Tax Legislation, Flood Relief

Dan Bucks, director, Montana Department of Revenue, reported on the implementation of several pieces of legislation enacted last session. Senate Bill 372 reduced the tax rate from 3 percent to 2 percent on a portion of class eight property

owned by a taxpayer. The department will develop rules to determine how the tax rate reduction on the first \$2 million of market value of business equipment located in more than one county but owned by the same taxpayer will be allocated among counties. The legislation also provides for an additional class eight property tax rate reduction under certain conditions.

Senate Bill 295 revised the appeal process for agricultural land, residential and commercial property, and forest land and revised the manner of appraising residential and commercial property, including using data from foreclosure or other distressed sales of real estate in the property valuation modeling. The department is working with the Orion computer vendor on the appeals process and is developing rules to deal with foreclosures and distressed sales.

Bucks also told the committee that taxpayers are eligible for the proration of property taxes for property damaged by flooding. Section 15-16-611, MCA, allows taxpayers to apply for property tax relief for improvements and personal property damaged by natural disaster, including flooding.

The committee is scheduled to meet Sept. 26 and 27 in Helena. For more information about the committee, contact Jeff Martin at 406-444-3595 or [jmartin@mt.gov](mailto:jmartin@mt.gov). To access meeting material, including agency reports, and other information about the committee, visit the committee's website at [leg.mt.gov/rtic](http://leg.mt.gov/rtic).

## Water Policy Committee to Study Exempt Wells

Sen. Brad Maxon Hamlett, D-Cascade, will chair the Water Policy Interim Committee and lead the panel in a study of water wells that are exempt from permitting.

At its June meeting, the WPIC also elected Rep. Walt McNutt, R-Sidney, as vice chair. McNutt is a past chairman of the committee.

Legislators agreed to put most of their resources toward the study mandated by House Bill 602. The study will cover wells that pump less than 35 gallons per minute and yield less than 10 acre-feet of water a year. Thousands of these wells exist around the state for various uses including domestic, stock, and irrigation.

However, some argue that the cumulative effect of exempt withdrawals may be impairing senior water rights.

Montana and other western states manage water on a first come, first served basis. New uses are allowed so long as prior uses are not adversely affected. Larger wells and surface water appropriations must obtain a permit from the state and

show that existing water users would not be harmed by the new use.

Previous interim committees studied exempt wells, but the law remains unchanged. The 2011 Legislature gave the water policy committee \$15,000 to specifically study exempt wells. It is anticipated that there will be up to four meetings around the state to gather public comment and take field tours. The study will examine the effect of exempt wells on existing water rights, including the amount of water consumed, the relationship to land use planning, and the ability of senior water right holders to protect their rights against junior exempt well uses.

The committee agreed to hold meetings outside Helena, but did not set dates. The next Helena meeting is Sept. 13 in Helena.

For more information visit [leg.mt.gov/water](http://leg.mt.gov/water) or contact Joe Kolman, committee staff, at 406-444-9280 or [jkolman@mt.gov](mailto:jkolman@mt.gov).

## The Back Page

### When it Takes Money to Make Money ... Who Benefits? Who Pays?

by Pat Murdo

Legislative Research Analyst  
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This article isn't about the lemonade stand where junior proudly charges quarters for a finished product after mom and dad paid dollars for the original bulk ingredients. This article is about federal and state funds that go toward helping Montanans and other Americans to export commodities and services.

While the Great Recession's shadow deepens over the chasm of the national debt, policymakers are looking at a variety of places to cut federal funding. One question is whether the return on export assistance is worth the price.

In the past, export-driven economies (think Japan and China) irritated nations that had a more balanced approach regarding imports and exports. Whether the reasons were related to protection of the home market, manipulated low currencies, or regulatory barriers, these markets were not considered as free as America's. Although the United States has its share of subsidies for various crops and industries, this country's market is generally open. In fact, America since 1976 has had an imbalance of imports over exports.

### Exports as a Stimulant

Exports are one way to stimulate an economy. Recently Montana's Department of Commerce reported that Montana's 2010 export sales of \$1.96 billion in bulk wheat and manu-

factured exports was 33% more than 2009 levels but less than the record, prior to the recession, of \$2.06 billion in 2008.

One effort to expand trade is through free trade agreements. Congress has three agreements awaiting approval, including one with Montana's second-largest trading partner, South Korea. (Canada is Montana's major trading partner, buying \$539.7 million in 2010 compared to South Korea's purchases of \$186.8 million.) These efforts to lower tariffs, regulatory barriers, and quotas face roadblocks, of which one is a push by President Barack Obama and some in Congress to tie the free trade agreements to continuation of Trade Adjustment Assistance for companies and workers that may be losing sales and jobs as a result of more open trade. (See related discussion on p. 11.)

### A Balancing Act

In some cases trade also means trade-offs. What is sold overseas may mean that surpluses are unavailable at home to lower prices. Good news for the producer is not necessarily good news for the consumer. If governmental export assistance is added to the analysis, then opinions about trade benefits vary even more.

Those who support export assistance cite the following reasons:

- new money from outside helps boost the local economy, potentially benefiting everyone;
- contacts made through international trade have a way of strengthening or maintaining the American image as being a nation on the cutting edge of industry and ideas. If exporters in other countries make these contacts first, the lack of American visibility may be detrimental for future trade and diminish America's global economic standing.
- contacts made through commerce can return in the form of international tourists and international students studying locally; and
- products produced in abundance locally cannot be totally consumed here so that export of some sort is necessary, either overseas or out of state. Export assistance helps target buyers.

Those opposed to export assistance suggest these policy concerns:

- government may be seen as picking winners and losers if it emphasizes certain exports over others;
- government provides taxpayer dollars to one firm that may be using some of that money to compete locally or internationally with another local supplier who chooses not to use federal dollars to engage in exports; and

- the use of pump-priming investments like export assistance may be an expenditure that government does not need to make since money is in short supply in tough economic times.

### Who Benefits and How?

Agribusiness and the movers of natural resource products top Montana's export list. Bulk wheat claimed top export honors at \$541.1 million in 2010, surpassing the copper oxides, silicon, and other inorganic chemicals that ranked second in exports at \$376.6 million.

Obviously Montana's farmers and ranchers who produce more than this state ever could consume are primary beneficiaries of trade even if they themselves do not sell directly to an international market but rather go through grain elevators, stockyards, cooperatives like Cenex Harvest States, or other distributors. Local manufacturers also benefit, whether through ties to parent companies (some of them based abroad) or through the efforts of an amalgam of government agencies, public-private partnerships, Chambers of Commerce, or economic development entities to aid overseas sales.

Many exporters of the state's natural resource products, which in addition to grains and inorganic chemicals include cattle, coal, wood, salts, ores, and food industry residues, have ties to either large corporations with extensive backgrounds in marketing (such as Plum Creek Timber Co. or Roseburg Forest Products) or associations that help with marketing. Among the more well-known Montana companies delivering raw materials or manufactured products for overseas customers are:

- REC Advanced Silicon Materials (the former ASiMi plant in Butte) produces photovoltaic solar energy modules and systems;
- Stillwater Mining Co. mines palladium outside of Columbus, along with platinum, rhodium, and gold.
- American Chemet, in East Helena, produces zinc oxide, copper powders, cuprous oxide, cupric oxide, and copper fungicide;
- Transbas, In (Billings), is a subsidiary of Con-Agra Foods and produces herbicides;
- Semitool, in Kalispell makes equipment used to produce semiconductors, thin film heads, flat panel displays, and various other high-tech equipment;
- Luzenac North America, a subsidiary of Rio Tinto Group, which mines talc deposits near Three Forks;
- Minerals Technologies mines and processes talc near Dillon;

- Pasta Montana, a subsidiary of Nippon Flour Mills Co. of Japan, ships dry pastas;
- Holcim, in Trident, is a subsidiary of the world's leading supplier of cement and related aggregates;
- Pacific Steel and Recycling, ships scrap metals and ferrous waste and is headquartered in Great Falls with branches in nearby states;
- Montana Resources is a part of the Washington Group and mines and processes copper and molybdenum in Butte;
- Tow Haul Corp makes hauling and towing equipment out of Belgrade.

Some of these firms have in-house expertise regarding trade opportunities. Others rely on a mix of public or private export assistance, which ranges from marketing assistance to trade missions and logistical advice.

### A Different Sort of Trade Mission

One trade mission in 2008 to Russia resulted two years later in a newsmaking shipment of what the Billings Gazette called an "instant Montana ranch" complete with 1,434 head of purebred cattle along with quarter horses and the services of cowboys and a Choteau veterinarian who monitored one of the cattle shipments.

Darrell Stevenson, one of two ranchers visiting Russia on that 2008 trade mission with Ron de Yong, director of the Montana Department of Agriculture, had previously engaged in international sales of live cattle as well as cattle semen and embryos from his ranch near Hobson. He noted that Russia -- 2.5 times larger than the United States in land mass -- has only one-fourth the number of cattle that were in Montana alone. Stevenson and four other Montana cattle producers joined to export the "instant ranch," which amounted to the largest recorded shipment ever of registered or pedigreed cattle across international borders, Stevenson said. Necessary assistance came from quarantine and health testing overseen by the U.S. Department of Agriculture in Helena and again prior to embarkation.

That "export" may be one of the more exotic shipments out of Montana. Reverse trade missions, where foreign buyers receive financial assistance to visit Montana sellers, are more common. In May representatives of six Taiwanese companies visited with officers from 12 Montana companies and toured the Pasta Montana facility in Great Falls. Their trip was funded mostly through the Western States Agricultural Trade Association, which receives money from the U.S. Department of Agriculture.



## Who Pays?

While exporting does not require government pump-priming, assistance and advice can come as readily from the private sector as the public sector. There are numerous federal programs, a few state programs, and some public-private partnerships and Chamber of Commerce programs that help

Montana firms to export both goods and services. In Montana, much of that assistance is oriented to small rather than large businesses. The following table shows that Montana's small businesses fare rather well in exporting, especially in comparison with nearby states.

Companies Involved in International Trade in Montana and Neighboring States, 2007*			
State	Companies involved in international trade	Percent of small or medium enterprises generating merchandise exports	Value of merchandise exports
Montana	823	59%	\$1.1 billion
Wyoming	310	35%	\$926 million
Idaho	1,162	16%	\$3.9 billion
North Dakota	896	31%	\$2.2 billion
South Dakota	592	32%	\$1 billion
U.S. Totals	338,756	30%	\$1.57 trillion

\*The exports are only merchandise exports and do not include agricultural or other commodities.

Source: Office of the U.S. Trade Representative, <http://www.ustr.gov/about-us/benefits-trade/state-specific-benefits>.

For those interested in accessing export assistance, the federal government provides a range of programs that help with planning, marketing, financing and credit guarantees, training, compliance assistance, risk mitigation, notices of business opportunities in developing countries, and advice. The programs include:

- the U.S. Department of Commerce Commercial Service, which has a Montana Export Assistance Center in Missoula;
- the U.S. Small Business Administration (SBA). A fact sheet for the SBA notes that most U.S. banks do not provide working capital advances, as the SBA does, on export orders or receivables.
- the U.S. Trade and Development Agency (USTDA). A USTDA official told roughly 45 Montanans attending a May international trade session in Bozeman about grant and service contracting opportunities, listed at <http://fedbizopps.gov>. The official noted that developing countries in particular are eager to establish ties that are expected to expand as industries develop, benefiting companies that sign up early.
- the U.S. Export-Import Bank;
- the Foreign Agricultural Service and the Market Access Program in the U.S. Department of Agriculture (USDA). Grants from USDA provide reimbursement of up to

50% of the costs for international marketing expenses as well as grants for such activities as bringing Taiwan trade officials to Montana on buying tours.

Among Montana exporters that have received guarantees through the U.S. Export-Import Bank are: Mountain Springs Spas of Stevensville, Total Baking Solutions of Roundup, Agmor of Bozeman, SRS Crisafulli of Glendive, Materials Bio of Ryegate, Semitool of Kalispell, and Dobeck Performance of Belgrade. For most of the companies the Ex-Im Bank loans exactly equaled international sales, which ranged from \$23,000 up to nearly \$1.2 million. But for the Roundup company and for Semitool, sales surpassed the loans received. Semitool's sales were almost double the loan amount of \$292,000.

Services provided by state government in Montana include:

- technical and marketing assistance from the Montana Department of Commerce's Office of Trade and International Relations. Export-specific staff includes a marketing officer and representatives in the Asia Pacific Trade Office in Taiwan and the Japan Trade Office in Montana's sister state, Kumamoto Prefecture, in Japan.
- inspection and phytosanitary certification of agricultural products, provided through the Montana Department of Agriculture; and

- trade missions, either by the Montana Department of Commerce, the Montana Department of Agriculture, or the Montana Wheat and Barley Committee or by a combination of these.

Public-private partnerships and private options include:

- the Montana World Trade Center, which works in partnership with the University of Montana in Missoula to provide market research, trade missions, and trade shows as well as advice to members on shipping and logistics. Members pay \$300 a year. The World Trade Center also obtains federal grants.
- the Montana Chamber of Commerce and other local Chambers of Commerce, which provide certificates of origin sometimes requested by buyers in foreign countries. The chambers also participate in trade missions and trade shows.
- the Montana District Export Council, a volunteer organization of business representatives and representatives of state and federal trade offices who promote international trade.

### At What Cost?

Determining the cost of export assistance is difficult because the budgets are split among various entities not just federally but in the state. Wikipedia says the U.S. Department of Commerce's International Trade Administration budget was an estimated \$446 million in FY 2010, which covered four sub-units, including the U.S. Commercial Service. The programs authorized under the USDA's Market Access Programs were limited to \$200 million a year through 2010 and authorized through 2012 under the 2008 Farm Bill. The Export-Import Bank's financing, guarantees, and export-credit insurance reached \$24.5 billion in FY 2010, with \$5 billion of that in direct support of U.S. small businesses as primary exporters, according to an Ex-Im Bank fact sheet. Among the Ex-Im Bank guarantees are some for working capital to buy raw materials for goods to be exported. The USTDA's feasibility studies and reverse trade missions amounted to about \$31.5 million of that agency's FY 2010 operational budget of \$56.5 million.

At the state level, the Montana Department of Commerce's Office of Trade and International Relations had budgets of \$819,852 in FY 2010 and \$730,371 in FY 2011 for a range of business assistance services. Of the FY 2010 total, not quite half had a link to international trade. The Montana Department of Agriculture also uses grant funds, matched by local private dollars, on trade missions. The allocations are not specifically budgeted for trade, with the costs split among various programs. The Montana Wheat and Barley Commission uses money from assessments on sales of wheat and barley to

help with trade missions and trade promotion, similar to the \$1 from the sale of each head of cattle that goes to the beef checkoff program to promote sales of beef.

### Potential Pitfalls

No matter how the information is provided, knowing the rules of both the importing country and exporting country is critical to avoid paying higher costs later on. Montana Department of Commerce officials tell of a local company that arranged for the sale of log homes to a South Korean resort. The excitement of the sale turned to anguish when port inspectors in South Korea denied an entry permit because the logs had not been fumigated as required prior to entry. The shipment was sent back. No delivery. No sale.

For some, the penalty is more than lost time and shipping costs. Under U.S. International Trade in Arms Regulations (ITAR), civil fines and even imprisonment may be imposed for trading a technology listed on the U.S. Munitions List. One of the most notable cases, according to Wikipedia, was a \$100 million fine in 2007 for the sale of night-vision technology to China.

Lattice Materials in Bozeman has registered under ITAR for its products that range from infrared optics to sputtering targets. The ITAR regulations may be a necessary evil because, in the name of American national security, foreign buyers of certain-sized shipments have to report the end uses to be listed on an export license, which means buyers may go elsewhere if similar non-American products do not have reporting requirements, according to Mike Foster, who handles ITAR requirements for Lattice Materials. As a result, the company stresses quality and other factors to overcome the extra regulatory hurdle.

### One Cost-Benefit Analysis

A March 2010 cost-benefit analysis by IHS Global Insight indicated that for the U.S. Department of Agriculture's international market development programs, including Market Access Programs, every \$1 spent by government and industry resulted in an increase of \$35 worth of U.S. agricultural exports. The report also noted that contributions from industry now represent the majority of total export market development funds but that there remain reasons for government involvement. Those mentioned were that commodity-specific trade organizations:

- are less likely to promote something if the benefits are to the economy at large rather than to the organization's commodity;
- tend to develop shorter-term promotions that miss (or may not count) the long-term effects of market development;

- may not take into account the spin-off advantages when promotion of one commodity increases demand for another; and
- presumably have little interest in larger sales from export promotion leading to higher tax revenues for government and lower government farm-income-support payments.

### The Giant Sucking Sound and Trade Adjustment Assistance

In 1992 presidential candidate Ross Perot described the “giant sucking sound” of U.S. jobs going to Mexico because of the North American Free Trade Agreement (NAFTA). Although disputes continue, free trade agreements have expanded since NAFTA, with proponents saying that economies among participating nations have improved and opponents saying America has lost jobs.

As Congress considers whether to accept three new free trade agreements with Colombia, South Korea, and Panama, adding to the 17 existing free trade agreements, proponents are saying that Congress ought to sever the proposed ties between the free trade agreements and renewal of benefits under Trade Adjustment Assistance (TAA).

Matthew J. Slaughter and Robert Z. Lawrence, two critics of TAA, served as economic advisers to Presidents George W. Bush and Bill Clinton, respectively. They wrote in a June 8, 2011, opinion piece in The New York Times that petitions filed with the U.S. Department of Labor for TAA benefits in

2007 covered just 93,903 workers or “fewer than the number of jobs created or lost on an average day.”

Describing the period after January 2008, the Montana Department of Labor and Industry reports that more than 2,000 Montana workers have been listed as impacted by trade and eligible for TAA benefits, which include retraining and relocation benefits for 104 weeks in addition to unemployment benefits.

Of those eligible, 1,573 workers have participated in TAA training or other programs. (The remainder did not apply for TAA benefits for whatever reason.) Between July 1, 2010, and June 10, 2011, Montana recipients numbered 1,250 people receiving an estimated \$3 million in TAA distributions. As a result of TAA, one former logger now works as a clinical laboratory scientist; another works in information technology. Some of the TAA recipients have found jobs out of state, others near their original work sites, and others elsewhere in Montana. Montana tracks to see whether TAA recipients land jobs.

Many of the TAA recipients were workers affected by shut-downs or cut-backs at Columbia Falls Aluminum Co., Stillwater Mining Co., Plum Creek Lumber, Smurfit Stone Container, and Montana Tunnels. Others were from small companies who supplied or otherwise depended on these larger firms. The following table shows a sample of companies that have active petitions, allowing their former employees to be eligible for TAA benefits.

**Trade Adjustment Assistance Approved in Montana, with Potential Employee Impacts**

Company	Location	Employees	Expiration
Tightline Logging	Potomac	4	7/21/2011
Plum Creek Central Services	Columbia Falls	16	7/24/2011
Glacier Line Logging	Kalispell	6	7/30/2011
St. Onge Logging	Kalispell	9	8/4/2011
T.B.C. Timber	Libby	10	8/5/2011
A.W. Pratt	Glasgow	28	8/17/2011
Plum Creek NW Lumber Sawmill	Columbia Falls	30	8/18/2011
Intermountain Forest Technology Corp.	Clancy	3	8/18/2011
Ureco	Columbia Falls	40	9/18/2011
Smurfit-Stone Container	Missoula	467	9/30/2011
LT Logging	Eureka	5	10/2/2011
Plum Creek	Columbia Falls	17	11/12/2011
Plum Creek Clearwater Division	Seeley Lake/Missoula	4	11/17/2011
Hanson Trucking	Columbia Falls	40	2/2/2012
Idaho Timber of Montana	Whitefish	31	2/16/2012
Smith Logging	Kalispell	14	2/24/2012

Montana Tunnels Mining	Jefferson City	161	3/11/2012
Decker Logging	Libby	5	4/19/2012
McFarland Logging	Clinton	5	5/13/2012
Montana Rail Link	Missoula	61	6/23/2012
Hayes Enterprises	Potomac	3	7/28/2012
Watkins Shepard Trucking	Missoula	3	7/14/2012
Dick Lucier Excavation	Frenchtown	9	9/16/2012
Industrial Technology Corporation	Missoula	62	11/12/2012
ILevel by Weyerhaeuser	All MT sites	0	2/4/2013
Sun Mountain Sports	Missoula	9	2/14/2013
<p>Overall employees served by Trade Adjustment Assistance between July 1, 2010, and June 10, 2011, were 1,250 Montanans, with an estimated value of benefits of \$3 million.</p> <p>Source: Montana Department of Labor and Industry</p>			



## Calendar of Legislative Events

All interim committee meetings are held in the Capitol in Helena unless otherwise noted.

July						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
10	11	12 Districting and Ap- portionment, Rm 137, 2 p.m.	13	14	15 Energy and Tele- communications, Rm 172, 9 a.m.	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

August						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23 Economic Affairs, Rm 137, 9 a.m.	24 Economic Affairs, Rm 137, 8:30 a.m.	25	26	27
28	29	30	31			

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